

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of	)	
	)	
Tariffs Implementing	)	CC Docket No. 97-250
Access Charge Reform	)	
	)	
Ameritech Operating Companies	)	Transmittal No. 1136
Tariff F.C.C. No. 2	)	

### REBUTTAL OF AMERITECH

Ameritech<sup>1</sup> submits this rebuttal to comments on its direct case in the above-captioned proceeding. Comments were submitted by three parties: AT&T, MCI, and ITC DeltaCom ("ITC").


#### I. INWARD-ONLY LINES.

Both AT&T and MCI reiterate their claims that inward-only lines should be included in PICC line counts.<sup>2</sup> ITC, on the other hand, asks the Commission to exempt inward-only lines from PICC assessment.

On March 17, 1998,, Ameritech filed its Transmittal No. 1146, which included inward-only lines in PICC line counts, modified the PICC rates accordingly, and changed the tariff language which eliminated the inward-only line exemption from PICC assessment to end users whose lines do not have a PIC.

<sup>1</sup> Ameritech means: Illinois Bell Telephone Company, Indiana Bell Telephone Company, Incorporated, Michigan Bell Telephone Company, The Ohio Bell Telephone Company, and Wisconsin Bell, Inc.

<sup>2</sup> AT&T at 8; MCI at 5.



## II. PORT COSTS.

Both AT&T and MCI argue that port costs should be reallocated based on revenues.<sup>3</sup>

Despite their protestations to the contrary, the fact is that it is “costs” not “revenues” that are to be reassigned as the result of the Commission’s Access Reform Order.

For price cap LECs, the NTS costs associated with line ports will no longer be included in the local switching charge, and instead will be recovered through the flat-rated common line charges discussed above. . . Costs of local switching attributable to trunk ports are moved to a separate service category within the traffic-sensitive basket.<sup>4</sup> (Emphasis added.)

The allocation of the revenue requirement attributable to these ports – *i.e.*, “their costs” --is entirely consistent with the Commission’s order.

Moreover, this is especially true in the case of line port costs which are now being recovered in the common line rate elements. The line port exogenous change is input into the CAP-1 form when determining the maximum end user common line (“EUCL”) charges. Section 69.104(c) of the Commission’s rules directs that common line cost recovery be based on determination of common line Base Factor Portion (“BFP”) revenue requirement per line. Thus, the line port shift to the common line price cap basket must be done on a revenue requirement basis to be consistent with common line rate development methodology.

AT&T erroneously claims that Part 69 revenue requirements serve the same function as price cap limitations since both represent maximum allowable revenues.<sup>5</sup> AT&T claims that

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<sup>3</sup> AT&T at 16-18; MCI at 6-9.

<sup>4</sup> Access Reform Order at ¶62.

<sup>5</sup> AT&T at 17.

neither purports to be a measure of “cost.”<sup>6</sup> That is simply not true. Historically, Part 69 revenue requirement has been used to determine a rate. In price caps, costs are irrelevant. AT&T claims that “costs” in the price cap context means “maximal allowable revenue.”<sup>7</sup> While it is true that an exogenous “cost” adjustment will have the effect of either reducing or increasing the maximum allowable revenues that can be recovered under a cap, the attempt is to adjust the cap to reflect the actual change in cost that is precipitating the change. Assuming that a change in regulation that is imposed on carriers justifies an exogenous cost change, an attempt would be made to determine the actual cost change involved and reflect that in the indexes. Thus, real “costs” are not irrelevant in these changes.

AT&T claims that “regardless of historical precedence” revenue requirement methodology would violate the Access Reform Order.<sup>8</sup> While that is not the case, AT&T admits that there is historical precedent. Ameritech will admit that there were instances in which revenues were used for certain changes. However, unlike in this case, in each of those cases, at the outset the Commission specifically required price cap LECs to use a revenue-based methodology.<sup>9</sup> As Ameritech demonstrated in its Direct Case, the most common method for shifting costs involves the use of revenue requirement.<sup>10</sup>

Both AT&T and MCI raise a potential forecasting “problem” if line port revenue

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<sup>6</sup> *Id.*

<sup>7</sup> AT&T at note 28.

<sup>8</sup> AT&T at 18.

<sup>9</sup> *Id.*

<sup>10</sup> Ameritech’s Direct Case at 10 and Attachment C.

requirement is used in the calculation of the BFP.<sup>11</sup> To avoid that “problem,” Ameritech suggests that, for subsequent annual filings, the per-port cost of line ports be either frozen at its current level or set at today’s level adjusted by the PCI. This would eliminate any concern over the development of future forecasts of those costs. Moreover, the methodology would be an interim one in any event since, when multi-line PICC no longer recovers any common line revenues, then the EUCL would be calculated, not on a revenue requirement basis, but on a price-cap permitted revenue basis.

### **III. PRE-JULY, 1997, TIC.**

AT&T reiterates its claim that required adjustments for central office equipment (COE”) maintenance and marketing expenses from the TIC to other price cap baskets should be based on the TIC as it existed prior to July 1, 1997, rather than the TIC as it existed at the time of the tariff filing. The Commission’s rules clearly dictate that the exogenous changes are to be applied to basket PCIs and sub-band SBIs based on the current (t-1) index values. Section 61.45(c)(1) notes that the “R” value to be used in exogenous adjustments is the base period demand times the rates in effect “at the time PCI was updated to  $PCI_{t-1}$ .” In addition, Section 61.47(a) states that SBI calculations are made relative to the percentage change in the PCI. This would mean that the SBI for the TIC would be based on the PCI for the trunking basket. Since the PCI is adjusted based on PCI revenues, then the SBIs should be adjusted based on the SBI revenues for the same period or else distortions will occur.

Again, there is simply no precedent for applying a change based on an index or revenue figure not in effect at the time of the change. The Commission, therefore, should permit LECs to make these TIC adjustments in accordance with the Commission’s rules.

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<sup>11</sup> AT&T at 19-21; MCI at 9-11.

#### **IV. THE USE OF CURRENT DATA FOR TANDEM-SWITCHED TRANSPORT CALCULATIONS.**

Both AT&T and MCI claim that the tandem-switched transport recalculation for actual minutes of use ("MOUs") must be based on 1993 copper/fiber mix and DS1/DS3 rate data.<sup>12</sup> However, the Commission, in its Access Reform Order, explicitly directed LECs to develop new tandem-switched transport rates, not only using actual current voice-grade circuit loadings, but also "using a weighted average of DS1 and DS3 rates reflecting the relative numbers of DS1 and DS3 circuits in use in the tandem-to-end office link," and "based on the prior year's annual use."<sup>13</sup> Given the position of the latter clause at the end of the sentence and set off by a comma, it is reasonable to view it as applying to the entirety of the sentence that has preceded it. Moreover, consistent with the Commission's intention to reform access charges so they more closely reflect costs imposed by individual access customers,<sup>14</sup> the use of current fiber/copper mix information and current DS1/DS3 rates – in addition to updated actual minutes of use – should be used.

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<sup>12</sup> AT&T at 24-26; MCI at 14-15.

<sup>13</sup> Access Reform Order ¶¶206, 208.

<sup>14</sup> *Id.* at ¶209.

## **V. THE TIC MAY INCREASE.**

MCI claims that the Access Reform Order does not permit LECs to increase their TIC SBI as a result of recalculating tandem-switched transport rates.<sup>15</sup> MCI correctly states, that if LEC recomputation of tandem-switched transport rates result in an increase, the TIC should be reduced.<sup>16</sup> MCI, then, states that, if the recomputation shows a decrease in tandem-switched transport rates:

[t]hese LECs may chose to decrease their tandem-switched transport rates, but are not required to do so.<sup>17</sup>

That statement is truly astonishing. It was clearly the intention of the Commission that tandem-switched transport rate indexes be recalculated using data that more accurately reflects the manner in which the costs of providing tandem-switched transport are incurred. It is simply preposterous to say that, if that recalculation would appear to justify a lower tandem-switched transport rate, the LECs would be free to ignore the recalculation and keep those rates at higher levels. It is likely that those customers who purchase significant amounts of tandem-switched transport would vigorously object if the LECs decided to forego those rate decreases. Moreover, since this filing is clearly intended to be revenue neutral with respect to these types of adjustments, when tandem-switched transport rates are lowered, it is appropriate that the TIC be increased by a like amount.

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<sup>15</sup> MCI at 15.

<sup>16</sup> *Id.* at 16.

<sup>17</sup> *Id.*

## **VII. CONCLUSION.**

In light of the foregoing, Ameritech respectfully requests that Commission finds that there is no just cause for concluding that Ameritech's rates are unjust or unreasonable.

Respectfully submitted,

A handwritten signature in cursive script, reading "Michael S. Pabian", written in dark ink.

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**CERTIFICATE OF SERVICE**

I, Todd H. Bond, do hereby certify that a copy of the foregoing Rebuttal of Ameritech has been served on the parties listed below, via first class mail, postage prepaid, on this 23rd day of March, 1998.

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